

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name CARP LAKE TOWNSHIP LIBRARY	County ONTONAGON
Fiscal Year End 12-31-2005	Opinion Date 08-29-2006	Date Audit Report Submitted to State 08-31-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

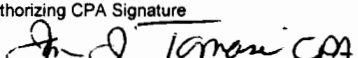
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) JON J. TOMASI, CPA		Telephone Number (906)575-3206	
Street Address 208 BIRCH STREET		City BERGLAND	State MI
		Zip 49910	
Authorizing CPA Signature 	Printed Name JON J. TOMASI		License Number

CARP LAKE TOWNSHIP LIBRARY
ONTONAGON COUNTY
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
PREPARED IN ACCORDANCE WITH GASB 34

December 31, 2005

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Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Carp Lake Township Library
Ontonagon County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Carp Lake Township Library as of and for the year ended December 31, 2005 which collectively comprise the Library's basic financial statements as listed in the table of contents. These general purpose financial statements are the responsibility of the library's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Carp Lake Township Library as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 29, 2006, on my consideration of the Carp Lake Township Library's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

As described in Note 1, the library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis- for State and Local Governments*. As of December 31, 2005.

The administration's discussion and analysis and budgetary comparison information (identified in the Table of Contents) are not a required part of the basic financial statements, but are supplementary information required by *Government Accounting Standards Board* and by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Carp Lake Township Library's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant
Bergland, Michigan
August 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP LIBRARY

Year ended December 31, 2005

Management's Discussion and Analysis

This section of the Carp Lake Township Library's annual financial report presents our discussion and analysis of the Library's financial performance during the year ended December 31, 2005. It is to be read in conjunction with the Library's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Library as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Library's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Library that include all services performed by the Library. These activities are funded mostly by contributions by the township and school district, penal finds and charges for services.

The statement of net assets, as stated previously, shows the Library's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Library. This statement measures the financial strength of the Library; the greater the net asset figure, the healthier the Library generally is. This shows if the Library will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Library. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Library. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Library.

MANAGEMENT'S DISCUSSION AND ANALYSIS CARP LAKE TOWNSHIP LIBRARY

Fund Financial Statements

The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Library are governmental funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Library maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund.

The Library adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplementary Information" section of this report.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP LIBRARY

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following table shows the December 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Primary Government
	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and other assets	\$ 9,756
Capital Assets, net	<u>4,787</u>
Total Assets	\$ 14,543
LIABILITIES	
Current Liabilities	3,674
Non-Current Liabilities	<u> </u>
Total Liabilities	3,674
NET ASSETS	
Investment in capital assets	
Net of related debt	4,787
Restricted	
Unrestricted	<u>6,082</u>
Total Net Assets	\$10,869

For governmental activities, net assets decreased by \$2,761 during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP LIBRARY

Results of Operations

The following represents the changes in net assets for the year ended December 31, 2005.

	Governmental <u>Activities</u>
Revenue:	
Program Revenue:	
Charges for services	\$ 498
Operating Grants	775
General Revenue:	
Local Contributions	10,031
Penal Fines	4,475
Other Revenue	<u>34</u>
Total Revenue	15,813
Expenses:	
Wages and Benefits	9,540
Books and Periodicals	562
Supplies	651
Dues and Workshops	976
Insurance	431
Contractual Costs	1,730
Depreciation	4,065
Phone and Postage	<u>619</u>
Total Expenses	18,574
Increase (Decrease) in Net Assets	(2761)
Net Assets Beginning of Year	<u>13,630</u>
Assets, End of Year	\$ 10,869

Governmental Activities

Local contributions from the township and school district comprise \$10,031 or approximately 63 percent of total governmental revenues. The Library also collected \$4,475 in penal fines.

The Library expended \$18,574 on library programs and services. Some of the largest expense categories were \$9,540 or 51% for wages and benefits and 22% for depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP LIBRARY

Financial Analysis of Governmental Funds

As previously noted, the Library uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Library's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Library's governmental fund reported an ending fund balance of \$6,082. The Library increased its fund balance by \$582 (11%) during the year.

On the budgetary basis of accounting, the Library ended the year with revenue 14% greater than the budget and expenditures 10% more than the budgeted amount.

Capital Assets and Debt Administration

The Library's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of December 31, 2005 was \$4,787.

Other Economic Factors and Next Years Budget

Economic Factors

The township has discontinued its financial support of the library. To compensate for this loss of revenue, the Library has passed a .5 mill tax levy for Library operations. This levy should equal or exceed the township funding for the next three years.

Request for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Librarian
Carp Lake Township Library
P.O. Box 157
White Pine, MI 49971

CARP LAKE TOWNSHIP LIBRARY

STATEMENT OF NET ASSETS For the year ended December 31, 2005

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$7,885
Receivables (Net)	1,506
Prepaid Expense	365
Inventories	
TOTAL CURRENT ASSETS	9,756
NON-CURRENT ASSETS	
Capital Assets--Net	4,787
TOTAL NON-CURRENT ASSETS	4,787
TOTAL ASSETS	14,543
LIABILITIES	
Accounts Payable	54
Wages and Benefits	293
Deferred Revenue	3,327
TOTAL CURRENT LIABILITIES	3,674
NON-CURRENT LIABILITIES	
Due Within One Year	
Due in More Than One Year	
TOTAL NON-CURRENT LIABILITIES	
TOTAL LIABILITIES	3,674
NET ASSETS	
Invested in Capital Assets--Net of Related Debt	4,787
Unrestricted	6,082
TOTAL NET ASSETS	\$10,869

The notes to financial statements are an integral part of these statements

CARP LAKE TOWNSHIP LIBRARY
STATEMENT OF ACTIVITIES
For the year ended December 31, 2005

Functions/Programs	Program Revenues			Net(Expense) Revenue and Changes in Net assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government					
Wages and Benefits	\$9,540				\$9,540
Books and Periodicals	562	\$498			64
Supplies	651				651
Dues and Workshops	976				976
Insurance	431				431
Contractual Costs	1,730		\$775		955
Depreciation	4,065				4,065
Phone and Postage	619				619
Total Governmental Activities	18,574	498	775		17,301
Total Primary Government	18,574	498	775		17,301
General Revenues					
Local Government Contribution					8,531
School District Contribution					1,500
Penal Fines					4,475
Interest					34
Total General Revenues					14,540
Change in Net Assets					(2,761)
Net Assets--Beginning					13,630
Net Assets--Ending					\$10,869

The notes to Financial Statements are an integral part of this statement

CARP LAKE TOWNSHIP LIBRARY
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2005

	General Fund	Totals Governmental Funds
<hr/>		
ASSETS		
Cash and Equivalents	\$7,885	\$7,885
Investments		
Receivables--Net	1,506	1,506
Prepaid Expense	365	365
 TOTAL ASSETS	<hr/> 9,756	<hr/> 9,756
LIABILITIES		
Accounts payable	54	54
Accrued Wages and Benefits	293	293
Deferred Revenue	3,327	3,327
 TOTAL LIABILITIES	<hr/> 3,674	<hr/> 3,674
FUND BALANCES		
Unreserved	6,082	6,082
 TOTAL FUND BALANCE	<hr/> 6,082	<hr/> 6,082
 TOTAL LIABILITIES AND FUND BALANCE	<hr/> \$9,756	<hr/> \$9,756

The notes to the Financial Statements are an integral part of this report

CARP LAKE TOWNSHIP LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2005

Total Fund Balances for Governmental Funds	\$6,082
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*Amounts reported for governmental activities in this statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	4,787
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$10,869</u>
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The notes to the Financial Statements are an integral part of this report

CARP LAKE TOWNSHIP LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended December 31, 2005

	General Fund	Totals Governmental Funds
REVENUES		
State Revenues	\$775	\$775
Local Government Contribution	8,531	8,531
School District Contribution	1,500	1,500
Penal Fines	4,475	4,475
Interest	34	34
Miscellaneous Income	498	498
TOTAL REVENUES	15,813	15,813
EXPENDITURES		
Wages and Benefits	9,540	9,540
Books and Periodicals	1,284	1,284
Supplies	651	651
Dues and Workshops	976	976
Insurance	431	431
Contractual Costs	1,730	1,730
Phone and Postage	619	619
TOTAL EXPENDITURES	15,231	15,231
EXCESS OF REVENUE (EXPENDITURES)	582	582
OTHER FINANCING SOURCES (USES)		
CHANGE IN FUND BALANCE	582	582
FUND BALANCE JANUARY 1, 2005	5,500	5,500
FUND BALANCE DECEMBER 31, 2005	\$6,082	\$6,082

The notes to Financial Statements are an integral part of this statement

CARP LAKE TOWNSHIP LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended December 31, 2005

Net Change in Fund Balance-Total Governmental Funds	\$582
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*Amounts reported for governmental activities in this statement
of net assets are different because:*

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of these assets is allocated over
their estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceed depreciation in the current period.

Book Purchase	722	
Depreciation Expense	(4,065)	
Other		(3,343)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(\$2,761)</u>
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The notes to the Financial Statements are an integral part of this report

CARP LAKE TOWNSHIP LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

(A) Reporting Entity

The Carp Lake Township Library operates with an appointed Board of Trustees. The governing board is composed of six members, The Library provides its residents with Library services. The accompanying financial statements present the library and its component units for which the government is considered to be financially accountable.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the

timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable-Property Taxes

The Carp Lake Township Library's property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Local Governmental Unity as of the preceding December 31st .

The 2005 property tax levy will be the first and will be recorded in the 2006 calendar year.

The government reports the following major Governmental Fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided; (2)

operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

(D) Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Books and Media Items	5 years
Computer Equipment	5 years

Compensated Absences (Vacation and Sick Leave) It is the government's policy to permit employees to accumulate earned unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements and the governmental funds.

Long-Term Obligations-In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity-In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgeting Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end.

The Librarian prepares the proposed budget for presentation to the Library Board during December for the fiscal year beginning on January 1. The Budget is adopted by the Library Board prior to January 1.

The general fund revenues and expenditures are accounted for in accordance with the adopted budget.

Excess of Expenditures Over Appropriation in Budgeted Funds
In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis.

The Library has not complied with all the provisions of P.A. 621 of 1978.

The Act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget. Budget variances of this nature are shown in the body of the financial statements.

NOTE 3 - CAPITAL ASSETS

Capital Asset activity of the primary government for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated Books and Media Items	\$20,325	\$722		\$21,047
Subtotal	<u>20,325</u>	<u>722</u>		<u>21,047</u>
Less Accumulated Depreciation for Books and Media Items	12,195	4,065		16,260

NOTES TO FINANCIAL STATEMENTS (Continued)

Subtotal	12,195	4,065	16,260
Net Capital Assets Being Depreciated	8,130	(3,343)	4,787
Governmental Activities Capital Total Capital Assets-Net of Depreciation	\$ 8,130	(3,343)	\$ 4,787

Depreciation expense was not charged to programs of the primary government.

NOTE 4 - DEPOSITS

Michigan statutes, authorized the Carp Lake Township Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations which have an office in Michigan; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States; including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; Commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase and which involve no more than 50% of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units on government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

All cash is deposited in financial institutions insured by federal depository insurance. All deposits were covered by insurance.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectibles are as follows:

	General Fund	Allowance	Total
General Fund	\$1,560	\$0	\$1,560

Governmental Funds report deferred revenue in connections with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

Unavailable

Unearned

2006 Property Taxes

\$3,327

NOTE 6 - COMPENSATED ABSENCES

The Library has reported a \$66 liability for accumulated unpaid vacation and sick leave as of December 31, 2005. The following is a summary of employment policies related to accumulated leave that allows for employees to accumulate unused vacation and sick leave benefits.

Vacation leave is earned at varying rates, depending upon length of service. At termination, employees receive all unused vacation leave and are paid at their current rate of pay.

Sick leave is earned at one day for every two months worked, with 24 days maximum accumulation. At retirement, employee shall be paid for $\frac{1}{2}$ of unused sick days.

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of losses related to property loss, torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has obtained coverage from commercial insurance companies. The Library has comprehensive general liability coverage of \$100,000 per occurrence and a \$500,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund. Expenditures and Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Library as of December 31, 2005, will not materially affect the financial condition of the Library. Therefore, the General fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED
SUPPLEMENTAL
FINANCIAL
INFORMATION

CARP LAKE TOWNSHIP LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended December 31,2005

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
State Revenues	\$777	\$774	\$775	\$1
Local Government Contribution	11,500	4,800	8,531	3,731
School District Contribution	1,500	1,500	1,500	
Penal Fines	5,784	5,784	4,475	(1,309)
Interest	40	40	34	(6)
Miscellaneous Income	750	1,000	498	(502)
TOTAL REVENUES	20,351	13,898	15,813	1,915
EXPENDITURES				
Wages and Benefits	11,000	8,000	9,540	(1,540)
Books and Periodicals	3,600	1,100	1,284	(184)
Supplies	300	300	651	(351)
Dues and Workshops	1,100	1,100	976	124
Insurance	600	600	431	169
Contractual Costs	3,145	2,268	1,730	538
Phone and Postage	855	530	619	(89)
TOTAL EXPENDITURES	20,600	13,898	15,231	(1,333)
EXCESS OF REVENUES (EXPENDITURES)	(249)		582	582
FUND BALANCE JANUARY 1, 2005	5,500	5,500	5,500	
FUND BALANCE DECEMBER 31, 2005	\$5,251	\$5,500	\$6,082	\$582

The notes to financial statements are an integral part of these statements.

OTHER
SUPPLEMENTAL
INFORMATION

CARP LAKE TOWNSHIP LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For Year Ended December 31, 2005

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES:			
State Revenues	\$774	\$775	\$1
Local Government Contribution	4,800	8,531	3,731
School District Contributions	1,500	1,500	
Penal Fines	5,784	4,475	(1,309)
Interest	40	34	(6)
Mscellaneous Income	1000	498	(502)
Total Revenues	13,898	15,813	1,915
EXPENDITURES:			
Wages and Benefits	\$8,000	\$9,540	(\$1,540)
Books and Periodicals	1,100	1,284	(184)
Supplies	300	651	(351)
Dues and Workshops	1,100	976	124
Insurance	600	431	169
Contractual Costs	2,268	1,730	538
Phone and Postage	530	619	(89)
Total Expenditures	13,898	15,231	(1,333)
EXCESS OF REVENUES OVER EXPENDITURES (DEFICIT)		582	582
FUND BALANCE JANUARY 1, 2005	5,500	5,500	
FUND BALANCE DECEMBER 31, 2005	\$5,500	\$6,082	\$582

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS.

Members of the Board of Trustees
Carp Lake Township Library
White Pine, Michigan

I have audited the financial statements of the governmental activities and each major fund of the Carp Lake Township Library as of and for the year ended December 31, 2005, which collectively comprise the Carp Lake Township Library's basic financial statements and have issued my report thereon dated August 29, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

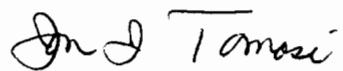
In planning and performing my audit, I considered the Carp Lake Township Library's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted matters involving internal control over financial reporting that I have reported to management of the Carp Lake Township Library in a separate letter dated August 29, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carp Lake Township Library's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Library Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "John J. Tomasi".

Certified Public Accountant
Bergland, Michigan
August 29, 2006

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, MI 49925

COMMENTS AND RECOMMENDATIONS LETTER

Members of the Board of Trustees
Carp Lake Township Library
Ontonagon County, Michigan

In connection with my audit of the financial statements of Carp Lake Township Library for the year ended December 31, 2005, the following concerns regarding the accounting records, procedures, and internal accounting controls came to my attention and are presented for your consideration.

My comments are based upon conditions noted during my audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

Miscellaneous expenses paid out of cash collected

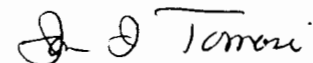
I noted minor expenses being paid out of cash collected. All funds should be receipted and deposited and a petty cash fund set up for the payment of these minor expenses.

Presigned checks

I noted checks presigned by one of the board members (two signatures required) in the blank check file. Checks need to be signed by the two required signers at the time of payment and not presigned.

I appreciate the opportunity to present these comments and recommendations for your consideration and I am prepared to discuss them at your convenience. I would like to thank you for the excellent cooperation I received during my audit.

This report is intended solely for the use of management and other governmental regulatory agencies and should not be used for any other purpose.



August 29, 2006

Certified Public Accountant